



9

CREDIT UNION DEPARTMENT

Harold E. Feeney
Commissioner

SEP 23 '05 PM 2:57 BOARD
James R. Deese
Deputy Commissioner

September 21, 2005

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear Ms. Rupp:

This letter is in response to the Notice of Proposed Rulemaking issued by the National Credit Union Administration (NCUA) requesting comments on its proposed changes to Part 741 governing the activities and investments of state-chartered federally insured credit unions.

While the State of Texas Credit Union Department (Department) has always maintained a good working relationship with the NCUA, the contemplated changes require a frank expression of opinions and positions. As the primary regulator of state-chartered credit unions in Texas, the Department has serious concerns about the amendments being considered for Part 741.3. NCUA should not enact rules that limit a state's ability to determine the appropriateness of state credit union activities and investments and the manner in which those activities are conducted and those investments are made, unless it establishes a compelling reason that is supported by empirical data and shows that it has fully analyzed the impact of the change. The generalized notion that these investments or activities "raise safety and soundness concerns" – unsupported by even anecdotal evidence – is grossly inadequate to justify overriding the states' role in determining the safety and soundness of activities and investments undertaken by state credit unions.

Being part of the state component of the dual-chartering system, the Department appropriately expresses pride in the performance of the state-chartered credit unions over the years. Time and again, the states have assumed a leadership role in the development and authorization of a wide range of innovative credit union powers and activities and, as a consequence, have contributed to the vitality of credit unions in the United States. The state component of the dual-chartering system has been a tremendous benefit to the citizenry by, among other things, fostering a responsiveness to local needs, serving as laboratories of experimentation and innovation, and avoiding the dangers of industry stagnation

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
September 21, 2005
Page 2

1 

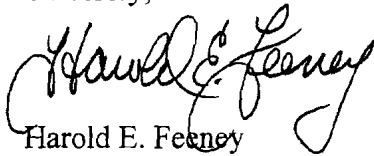
due to an unjustifiable concentration of regulatory and legislative power in the hands of the Federal government.

The Department specifically notes that Texas credit unions have, for several decades, exercised their investment and CUSO activities in a safe and sound manner. Our analysis of the impact of these activities upon the safety and soundness of state credit unions demonstrates that these activities have been, with few exceptions, a positive force for improved products and services for the members and improved health of the credit union industry in this State. In our view, NCUA's proposed modifications, which will restrict the activities by state credit unions, is unwarranted and unnecessary.

To revoke, by federal preemption, provisions found in state statutes and supplant them with a "one size fits all" federal regulation when no problem exist is not an appropriate function for the share insurer. If there is a problem in a specific federally insured state-chartered credit union, deal with the problem rather than promulgating regulations that adversely affect a system that has helped make credit unions as strong and financially healthy as they are today.

The Department urges NCUA to consider modifying its proposal with recognition given to the sovereignty of the state regulators and their authority and responsibility to regulate their credit unions.

Sincerely,


Harold E. Feeney
Commissioner

HEF:iv